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Release copies to District

Date 7-29-92

Surname [REDACTED]

[REDACTED]

7/29/92

JUN - 5 1992

Dear Applicant:

We have considered your application for exemption from federal income tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted indicates that you were incorporated under the laws of [REDACTED] on [REDACTED]. Your primary purpose is to provide a private membership club at the [REDACTED] facilities.

You were formed by the principals of [REDACTED], a for-profit entity which is the owner and developer of the golf course which is used by your members. The partnership is actively engaged in the sale of real estate surrounding the golf course.

The partnership leases the facilities to you and has representation on your committees. The partnership established the dues structure and other fees charged to your members. The partnership may approve or disapprove any membership approved by you. The partnership financially maintains all of the facilities that it owns and leases to you. The partnership has the right to use your facility for the purpose of the sale of real estate to the general public.

Section 501(c)(7) of the Code provides for the exemption from federal income tax of clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Revenue Ruling 65-219, 1965-2 C.B. 168, provides that a club which is operated as an integral part of a commercial venture for the financial benefit of private individuals is not exempt under section 501(c)(7) of the Code.

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Revenue Ruling 67-302, 1967-2 C.B. 203, provides that a social club which entered into a management and lease agreement for the management and operation of its facilities by the lessor may be exempt under section 501(c)(7) of the Code where the club retains control over the selection of its membership, the amount of initiation fees and dues, has an option to purchase the property leased by the club, and can terminate the agreement.

Revenue Ruling 66-225, 1966-2 C.B. 227, provides that a nonprofit organization which provides entertainment for its members does not qualify for exemption under section 501(c)(7) of the Code where it is controlled by a taxable corporation and operated as an integral part of such corporation's business.

The information provided indicates that you are operated as an integral part of a commercial venture operated by [REDACTED]. The partnership is actively engaged in the sale of real estate and your leased facility is used by the partnership to promote these sales. The partnership may approve or disapprove of your membership and has set your dues and fee structure. The partnership leased the facility to you and manages the facility. You do not have the right to terminate this management agreement.

Accordingly, we have concluded that you do not qualify for recognition of exemption from federal income tax under section 501(c)(7) of the Code and are required to file federal income tax returns.

You have the right to protest this ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request this conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status should be addressed to that office.

When submitting additional letters with respect to this case, you will expedite their receipt by placing the following

[REDACTED]

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[REDACTED]  
symbols on the envelope: [REDACTED]. These symbols do  
not refer to your case but rather to its location.

Sincerely,

Signed [REDACTED]  
[REDACTED]

Chief, Exempt Organizations  
Rulings Branch 2

[REDACTED]

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cc: DD, Atlanta  
Attn: EO Group